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Department of Finance Canada

Canada

The Fiscal Monitor
A publication of the Department of Finance

Highlights

February 2017: budgetary surplus of $1.3 billion

There was a budgetary surplus of $1.3 billion in February 2017, compared to a surplus of $3.2 billion in February 2016. Revenues decreased by $0.4 billion, or 1.4 per cent, as an increase in income tax revenues was more than offset by decreases in excise taxes and duties, Employment Insurance (EI) premium revenues and other revenues. Program expenses increased by $1.5 billion, or 7.0 per cent, largely reflecting increases in major transfers to persons and direct program expenses. Public debt charges increased by $16 million.

April 2016 to February 2017: budgetary deficit of $11.5 billion

For the April to February period of the 2016–17 fiscal year, the Government posted a budgetary deficit of $11.5 billion, compared to a surplus of $7.5 billion reported for the same period of 2015–16. Revenues were down $0.4 billion, or 0.1 per cent, as an increase in tax revenues was more than offset by decreases in EI premium revenues and other revenues. Program expenses were up $20.0 billion, or 8.5 per cent, reflecting increases in major transfers to persons and other levels of government and direct program expenses. Public debt charges were down $1.5 billion, or 6.3 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

February 2017

There was a budgetary surplus of $1.3 billion in February 2017, down $1.9 billion from the budgetary surplus reported for February 2016.

Revenues in February 2017 totalled $26.3 billion, down $0.4 billion, or 1.4 per cent, from February 2016.

- Personal income tax revenues were down $0.2 billion, or 2.1 per cent.
- Corporate income tax revenues were up $0.2 billion, or 2.4 per cent.
- Non-resident income tax revenues were up $0.4 billion, or 120.3 per cent.
- Excise taxes and duties were down $0.3 billion, or 8.9 per cent. Goods and Services Tax (GST) revenues decreased by $0.2 billion, energy taxes decreased by $16 million, customs import duties increased by $24 million and other excise taxes and duties decreased by $0.1 billion.
- EI premium revenues were down $0.3 billion, or 11.1 per cent.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, revenues from sales of goods and services, returns on investments, net foreign exchange revenues and miscellaneous revenues, were down by $0.1 billion or 4.9 per cent.

Total program expenses in February 2017 were $23.3 billion, up $1.5 billion, or 7.0 per cent, from February 2016.

- Major transfers to persons, consisting of elderly benefits, EI benefits and children's benefits, increased by $0.8 billion, or 10.6 per cent. Elderly benefits increased by $0.2 billion, or 6.3 per cent, due to growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $0.1 billion, or 3.7 per cent. Children's benefits increased by $0.5 billion, or 30.5 per cent, reflecting the new Canada Child Benefit, which replaced the Canada Child Tax Benefit and the Universal Child Care Benefit as of July 2016.
- Major transfers to other levels of government consist of federal transfers in support of health and other social programs (primarily the Canada Health Transfer and the Canada Social Transfer), fiscal arrangements and other transfers (Equalization, transfers to the territories, as well as a number of smaller transfer programs), transfers to provinces on behalf of Canada's cities and communities, and the Quebec Abatement. Major transfers to other levels of government increased by $0.1 billion, or 1.6 per cent.

- Direct program expenses include transfer payments to individuals and organizations not included in major transfers to persons and other levels of government, and other direct program expenses, which consist of operating expenses of National Defence, other departments and agencies, and expenses of Crown corporations. Direct program expenses were up by $0.7 billion, or 7.3 per cent, from the prior year. Within direct program expenses:
    - Transfer payments increased by $0.6 billion, or 27.1 per cent, due to year-over-year differences in the timing of payments and increases in transfers across several departments.
    - Other direct program expenses increased by $17 million, or 0.3 per cent.

Public debt charges increased by $16 million, or 1.0 per cent.

April 2016 to February 2017

For the April to February period of the 2016–17 fiscal year, there was a budgetary deficit of $11.5 billion, compared to a surplus of $7.5 billion reported during the same period of 2015–16.

Revenues decreased by $0.4 billion, or 0.1 per cent, to $265.1 billion.

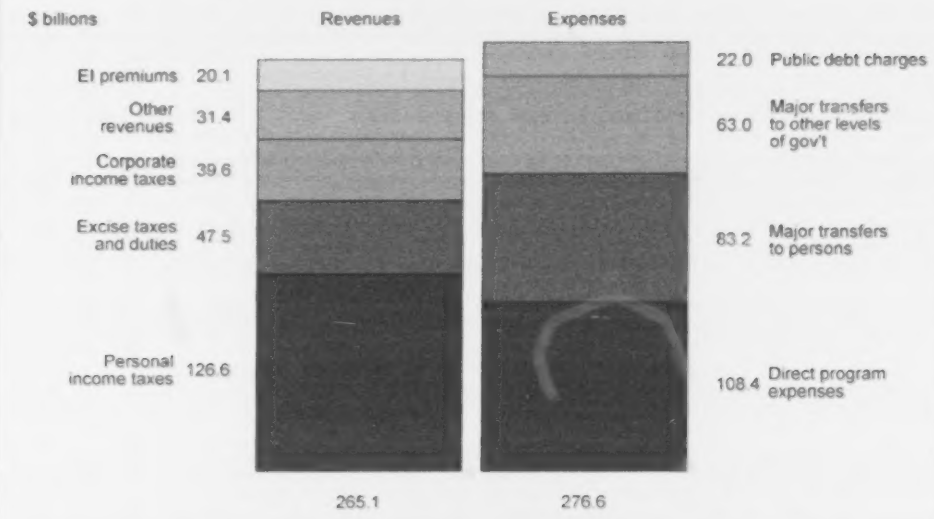
- Personal income tax revenues were down $1.0 billion, or 0.8 per cent.
- Corporate income tax revenues were up $1.5 billion, or 3.8 per cent.
- Non-resident income tax revenues were up $0.8 billion, or 14.0 per cent.
- Excise taxes and duties were up $0.7 billion, or 1.4 per cent. GST revenues were up $0.9 billion, or 2.8 per cent, energy taxes were down by $0.1 billion, customs import duties were up by $0.1 billion, and other excise taxes and duties were down by $0.2 billion.
- EI premium revenues were down $0.4 billion, or 1.9 per cent.
- Other revenues were down $1.9 billion, or 7.3 per cent. This decline largely reflects the $2.1-billion gain realized on the sale of the Government's remaining holdings of General Motors common shares in April 2015.

Program expenses totaled $254.6 billion over the April to February period of 2016–17, up $20.0 billion, or 8.5 per cent, from the same period the previous year.

- Major transfers to persons were up $7.3 billion or 9.7 per cent. Elderly benefits increased by $2.5 billion, or 5.9 per cent, reflecting growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $1.2 billion, or 6.7 per cent, and children's benefits were up $3.7 billion, or 22.4 per cent, largely reflecting the new Canada Child Benefit.
- Major transfers to other levels of government were up $2.5 billion, or 4.2 per cent, largely reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer, Equalization transfers and transfers to the territories.
- Direct program expenses were up $10.2 billion, or 10.4 per cent. Within direct program expenses:
    - Transfer payments increased by $6.1 billion, or 21.6 per cent, reflecting a number of factors including the accelerated repayment of contribution agreements by Pratt & Whitney Canada in 2015–16, which decreased transfer payments in that year, as well as increased transfers in the current year related to claims and infrastructure funding.
    - Other direct program expenses increased by $4.1 billion, or 5.9 per cent, largely reflecting increases in Crown corporation expenses, operating expenses of National Defence, and pension and other future benefit expenses based on the Government's latest actuarial valuations.

Public debt charges were down $1.5 billion, or 6.3 per cent, largely reflecting a lower average effective interest rate on the stock of interest-bearing debt.

Revenues and expenses (April 2016 to February 2017)



Note: Totals may not add due to rounding.

Financial requirement of $21.2 billion for April 2016 to February 2017

The budgetary balance is presented on an accrual basis of accounting, recording government revenues and expenses when they are earned or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $11.5 billion and a financial requirement of $9.7 billion from non-budgetary transactions, there was a financial requirement of $21.2 billion for the April 2016 to February 2017 period, compared to a financial requirement of $14.1 billion over the same period the previous year.

Net financing activities up $27.3 billion

The Government financed its financial requirement of $21.2 billion and increased cash balances by $6.1 billion by increasing unmatured debt by $27.3 billion. The increase in unmatured debt was achieved primarily through the issuance of marketable bonds.

The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of February 2017 stood at $44.0 billion, up $1.1 billion from their level at the end of February 2016.

Table 1
Summary statement of transactions
$ millions

	February		April to February	
	2016	2017	2015–16	2016–17
Budgetary transactions				
Revenues	26,648	26,271	265,486	265,116
Expenses				
Program expenses	-21,764	-23,283	-234,529	-254,572
Public debt charges	-1,679	-1,695	-23,484	-22,002
Budgetary balance (deficit/surplus)	3,205	1,293	7,473	-11,458
Non-budgetary transactions	-83	-3,048	-21,622	-9,704
Financial source/requirement	3,122	-1,755	-14,149	-21,162
Net change in financing activities	-10,433	120	29,033	27,273
Net change in cash balances	-7,311	-1,635	14,884	6,111
Cash balance at end of period			42,835	43,956

Note: Positive numbers indicate a net source of funds. Negative numbers indicate a net requirement for funds.

Table 2
Revenues

	February			April to February		
	2016 ($ millions)	2017 ($ millions)	Change (%)	2015–16 ($ millions)	2016–17 ($ millions)	Change (%)
Tax revenues						
Income taxes						
Personal income tax	10,744	10,522	-2.1	127,587	126,596	-0.8
Corporate income tax	6,769	6,930	2.4	38,099	39,564	3.8
Non-resident income tax	365	804	120.3	5,883	6,704	14.0
Total income tax	17,878	18,256	2.1	171,569	172,864	0.8
Excise taxes and duties						
Goods and Services Tax	2,556	2,313	-9.5	31,210	32,069	2.8
Energy taxes	455	439	-3.5	5,211	5,136	-1.4
Customs import duties	451	475	5.3	4,899	4,992	1.9
Other excise taxes and duties	427	316	-26.0	5,500	5,279	-4.0
Total excise taxes and duties	3,889	3,543	-8.9	46,820	47,476	1.4
Total tax revenues	21,767	21,799	0.1	218,389	220,340	0.9
Employment Insurance premiums	2,734	2,431	-11.1	20,506	20,114	-1.9
Other revenues	2,147	2,041	-4.9	26,591	24,662	-7.3
Total revenues	26,648	26,271	-1.4	265,486	265,116	-0.1

Note: Totals may not add due to rounding.

Table 3
Expenses

	February			April to February		
	2016 ($ millions)	2017 ($ millions)	Change (%)	2015–16 ($ millions)	2016–17 ($ millions)	Change (%)
Major transfers to persons						
Elderly benefits	3,885	4,129	6.3	41,592	44,053	5.9
Employment Insurance benefits	1,870	1,940	3.7	17,850	19,051	6.7
Children's benefits	1,493	1,948	30.5	16,407	20,075	22.4
Total	7,248	8,017	10.6	75,849	83,179	9.7
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	2,836	3,006	6.0	31,189	33,062	6.0
Canada Social Transfer	1,080	1,112	3.0	11,879	12,236	3.0
Total	3,916	4,118	5.2	43,068	45,298	5.2
Fiscal arrangements and other transfers	1,939	1,731	-10.7	19,500	19,821	1.6
Canada's cities and communities	27	0	-100.0	1,937	2,064	6.6
Quebec Abatement	-371	-249	-32.9	-4,081	-4,229	3.6
Total	5,511	5,600	1.6	60,424	62,954	4.2
Direct program expenses						
Transfer payments						
Agriculture and Agri-Food Canada	57	154	170.2	1,019	1,202	18.0
Employment and Social Development Canada	469	574	22.4	5,328	6,474	21.5
Global Affairs Canada	429	273	-36.4	2,831	3,105	9.7
Health Canada	99	109	10.1	2,652	2,823	6.4
Indigenous and Northern Affairs Canada	370	638	72.4	6,292	7,549	20.0
Innovation, Science and Economic Development Canada	185	498	169.2	938	3,095	230.0
Other	771	778	0.9	9,019	9,889	9.6

Total	2,380	3,024	27.1	28,079	34,137	21.6
Other direct program expenses						
Crown corporations	823	715	-13.1	7,836	8,414	7.4
National Defence	1,949	1,984	1.8	20,660	21,792	5.5
All other departments and agencies	3,853	3,943	2.3	41,681	44,096	5.8
Total other direct program expenses	6,625	6,642	0.3	70,177	74,302	5.9
Total direct program expenses	9,005	9,666	7.3	98,256	108,439	10.4
Total program expenses	21,764	23,283	7.0	234,529	254,572	8.5
Public debt charges	1,679	1,695	1.0	23,484	22,002	-6.3
Total expenses	23,443	24,978	6.5	258,013	276,574	7.2

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement
$ millions

	February		April to February	
	2016	2017	2015–16	2016–17
Budgetary balance (deficit/surplus)	3,205	1,293	7,473	-11,458
Non-budgetary transactions				
Capital investment activities	-419	-484	-3,979	-3,984
Other investing activities	-172	-572	-6,111	-8,115
Pension and other accounts	397	294	4,439	6,773
Other activities				
Accounts payable, receivables, accruals and allowances	-3,596	-4,509	-8,424	-3,363
Foreign exchange activities	3,416	1,856	-11,356	-4,403
Amortization of tangible capital assets	291	367	3,809	3,388
Total other activities	111	-2,286	-15,971	-4,378
Total non-budgetary transactions	-83	-3,048	-21,622	-9,704
Financial source/requirement	3,122	-1,755	-14,149	-21,162

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities
$ millions

	February		April to February	
	2016	2017	2015–16	2016–17
Financial source/requirement	3,122	-1,755	-14,149	-21,162
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	-1,723	201	15,477	33,941
Treasury bills	-5,600	3,300	6,500	-1,600
Retail debt	-27	-26	-589	-520
Total	-7,350	3,475	21,388	31,821
Foreign currency borrowings	-387	-4,294	3,447	-3,763
Total	-7,737	-819	24,835	28,058
Cross-currency swap revaluation	-2,657	1,070	3,718	-966
Unamortized discounts and premiums on market debt	-20	-113	702	478
Obligations related to capital leases and other unmatured debt	-19	-18	-222	-297
Net change in financing activities	-10,433	120	29,033	27,273
Change in cash balance	-7,311	-1,635	14,884	6,111

Note: Totals may not add due to rounding.

Table 6
Condensed statement of assets and liabilities
$ millions

	March 31, 2016	February 28, 2017	Change
Liabilities			
Accounts payable and accrued liabilities	127,853	131,565	3,712
Interest-bearing debt			
Unmatured debt			
Payable in Canadian currency			
Marketable bonds	504,068	538,009	33,941
Treasury bills	138,100	136,500	-1,600
Retail debt	5,076	4,556	-520
Subtotal	647,244	679,065	31,821
Payable in foreign currencies	22,482	18,719	-3,763
Cross-currency swap revaluation	8,391	7,425	-966
Unamortized discounts and premiums on market debt	5,047	5,525	478
Obligations related to capital leases and other unmatured debt	5,047	4,750	-297
Total unmatured debt	688,211	715,484	27,273
Pension and other liabilities			
Public sector pensions	152,227	151,716	-511
Other employee and veteran future benefits	85,681	92,772	7,091
Other liabilities	5,602	5,795	193
Total pension and other liabilities	243,510	250,283	6,773
Total interest-bearing debt	931,721	965,767	34,046
Total liabilities	1,059,574	1,097,332	37,758
Financial assets			
Cash and accounts receivable	154,688	167,874	13,186

Foreign exchange accounts	93,539	97,942	4,403
Loans, investments, and advances (net of allowances)[1]	115,957	126,037	10,080
Public sector pension assets	1,639	1,639	0
Total financial assets	365,823	393,492	27,669
Net debt	693,751	703,840	10,089
Non-financial assets	77,765	78,361	596
Federal debt (accumulated deficit)	615,986	625,479	9,493

Note: Totals may not add due to rounding.

[1] February 28, 2017 amount includes $2.0 billion in other comprehensive income from enterprise Crown corporations and other government business enterprises for the April 2016 to February 2017 period.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

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